

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: June 12, 2013

REGARDING: Resolution (i) Authorizing a HOME loan, (ii) Approving an HRA Budget Amendment, (iii) Approving establishment of the Hamline Station East Tax Increment Financing District and (iv) Adopting a Hamline Station East Tax Increment Financing Plan, District 11, Ward 4

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Authorize and approve an HRA budget amendment to provide a HOME Loan in the amount of \$550,000 to Hamline Station Family Housing Limited Partnership; and
2. Approve the establishment of the Hamline Station East Tax Increment Financing District; and
3. Adopt a tax increment financing plan for Hamline Station Family Housing Project.

Background

Project for Pride in Living Inc. (Developer) is proposing to re-develop 13 parcels at the northeast corner of the Hamline and University Avenue intersection (1319-1333 University Avenue) into a mixed-use development called the Hamlin Station Project (the 'HS Project'). In March of 2013, the City of Saint Paul provided a \$2,246,000 loan to the Developer to acquire all parcels pursuant to grant funds awarded to the City of Saint Paul by the Metropolitan Council under their TOD Livable Cities Development Account for the HS Project.

The HS Project is comprised of two separate projects: West Project and East Project. **While this board report pertains to the East Project, for clarity, noted below is a summary of the entire HS Project.**

1. West Building:

- a. Physical Plant: four stories; 14,249 sq. ft. of street level (first floor) commercial/retail space; 57 housing units.

- b. Ownership:
 - i. Commercial: Excelsior will own, finance and lease the commercial space.
 - ii. Housing: Hamline Station LP (Developer is general partner) will own the housing units; unit mix is detailed later in this report.
- c. Proposed Financing Summary: tax exempt bonds with automatic 4% low income housing tax credits, HOME funds, and tax increment financing.

2. East Building:

- a. Physical Plan: four stories, 51 housing units.
- b. Ownership: Hamline Station Family LP (Developer is general partner)
- c. Proposed Financing Summary: 9% low income housing tax credits, HOME funds, and tax increment financing.

3. Joint East/West:

- a. Physical Plant: public plaza between the buildings; structured underground parking.
- b. Ownership: joint, with cross easements.

The HS Project will be located at the door-step of the LRT Hamline Station stop, and within a short walking distance of several of amenities such as the Midway shopping center, Super-Target, Walmart, and other major retailers/employers. Several educational and recreational facilities such as Horton Park and Jimmy Lee Recreational Center are also within close proximity.

The proposed unit mix in the East Project is as follows:

RFP Unit Type	# of DU	Rent Limit (% of AMI)	Income Limit (% of AMI)
1BR	5	30%	30%
1BR	5	50%	50%
1BR	2	60%	60%
2BR	3	30%	50%
2BR	10	50%	50%
2BR	5	60%	60%
2BR	8	60%	60%
3BR	1	30%	30%
3BR	1	30%	30%
3BR	10	60%	60%
3BR	1	60%	60%
	51		

The maximum annual income of a two-person household at 60% of the area median income is \$39,720; the maximum annual income for a two-person household at or below 50% of the area median income is \$33,100.

Budget Action

- Approve Hamline Station East TIF District Financing Plan
- Approve HOME Loan in the amount of \$550,000

Future Action

1. Authorize and approve an HRA budget amendment to provide a \$550,000 HOME Loan Hamline Station Limited Partnership (West Project);
2. Approve the establishment of the Hamline Station West Tax Increment Financing District (West Project);
3. Adopt a tax increment financing plan for Hamline Station Housing Project (West Project);
4. Approve and authorize issuance of tax exempt bonds, with automatic 4% low income housin tax credits (LIHTC), for Hamline Station LP project (West Project); and

5. Award 9% LIHTC for the Hamline Station Family Housing LP project (East Project) should the East Project's LIHTC application score sufficiently to warrant such an award under the HRA's Qualified Action Plan; and
6. Approve an additional \$200,000 of 2013 HOME funds to both the West and East Projects (for a total of \$400,000) to fully fund the remaining gap financing for each of the projects; and
7. Approve and authorize the execution of a Development Agreement with final terms and conditions of all financing for the HS Project.

Financing Structure

The chart below details the proposed financing uses and sources for the East Project.

Sources and Uses Hamline Station Family Housing (Hamline Station East)1319	
	9% side
0BR	0
1BR	12
2BR	26
2BR-LW	0
3BR	13
Total	51
Acquisition	\$1,080,000
New Construction	\$8,623,418
Contingency (5%)	\$425,000
Environmental	\$250,306
C. Soft Costs	\$533,600
Developer's Fee (8%)	\$1,094,000
Financing Costs	\$305,433
Reserves	\$336,556
Total	\$12,648,313
Sources	9% side

1st Mtg (5%)	\$450,000
Syndication Proceeds (\$0.88-\$0.90)	\$9,111,520
Annual Credits Requested (7.45% + boost)	\$1,035,400
TIF	\$562,472
2012 St. Paul (HOME)	\$550,000
2013 St. Paul (HOME or CDBG)	\$200,000
Met Council LCDA	\$375,000
Met Council LCDA-TOD	\$955,000
Met Council TBRA-TOD	\$250,306
CoO LIC	\$100,000
MHFA	\$70,000
GP Loan or Def Dev Fee	\$24,015
Retail purchase (shell)	
Total Sources	\$12,648,313

Tax Increment Financing (TIF) Districts

Due to the high cost of developing affordable housing, the HS Project (West and East) is feasible only through assistance, in part, from tax increment financing. With the establishment of the Hamline Station East TIF District, TIF will be provided through a pay-as-you-go note to the Developer in an amount not to exceed \$1,400,000 over the 25- year life of the district. Final sizing and terms will be included in a Development Agreement to be approved by the HRA after the Developer secures all other necessary financing.

The TIF plan institutes a delay in the first receipt of increment to 2017 to address the City’s informal policy to capture less than 10% of the tax capacity in TIF districts.

HOME Loan

Staff is recommending a \$550,000 HOME loan for the West Project as gap financing. Due to limited cashflow, the loan will be structured as a 32- year, deferred loan with 1% interest. Principal and interest payments will be deferred until maturity of the loan. The loan will be secured by a Note, Mortgage and Assignment of Rents and Leases. The project will be required to remain affordable for a period of 30 years to coincide with the tax credit affordability period.

Low Income Housing Tax Credits (LIHTC)

The Developer will be applying to both the HRA and the Minnesota Housing for 9% LIHTC, which will require that all East units be affordable to those with incomes at or below 60% of Area Median Income. Approving the HOME loan and tax increment financing at this time will make the Developers LIHTC application more competitive.

Grants

The Project has been awarded the following grants from the Metropolitan Council:

- \$219,000 LCDA Development Demonstration Award
- \$859,000.00 LCDA Transit Oriented Development
- \$250,306.00 Tax Based Revitalization Account-Clean-up

PED Credit Committee Review

PED Credit Committee recommended approval of \$550,000 HOME loan with the terms noted above. The loan will be risk rated “Originated as Loss” (O).

Compliance

The compliance requirements that apply to this project include Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, and the 2-Bid Policy. A pre-construction meeting will be scheduled after final HRA Board approval and before a final closing on financing. The Developer will execute a Project Labor Agreement for the HS Project (East & West).

Green/Sustainable Development

The HS Project (East & West) will comply with Saint Paul Sustainable Development Policy. The Developer will include sustainable building elements for all site and common space lighting, significantly reducing electrical use. A heat pump system will be employed - the most efficient HVAC system available short of geothermal. Energy star appliances will be installed in each units. Plumbing fixtures will be low flow.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose

The Hamline Station Family Housing project will fulfill important housing strategies of the Saint Paul Comprehensive Plan-Housing Chapter such as:

- Strategy 1 “Build upon Saint Paul’s Strengths in the Evolving Metropolitan Housing Market”
- Strategy 2 “Preserve and Promote Established Neighborhoods”
- Strategy 3 “Ensure the Availability of Affordable Housing Across the City”

The project also aligns with the housing goals of the Hamline Station Area Plan, adopted by Saint Paul City Council in October 2011, “This would solidify the residential market for the station area and establish it as a mixed-use center”.

Recommendation

The Executive Director recommends approval of the attached resolution for the Hamline Station project located at 1319 - 1333 University Avenue.

Sponsored by: Commissioner Stark

Staff: Eduardo Barrera, 266-6585

Attachments

- **Attachment A -- Resolution**
- **Attachment B -- Map/Address of Project, should include libraries, parks, schools**
- **Attachment C -- *Project Summary Form***

- **Attachment D -- *Sources and Uses Summary Form***
- **Attachment E -- *Public Purpose Form***
- **Attachment F -- *Census Facts***